

Message Text

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PAGE 01 KINSHA 04147 01 OF 02 030951Z

ACTION COME-00

INFO OCT-01 AF-10 ISO-00 EB-07 CIAE-00 INR-07 NSAE-00
/025 W

-----031106Z 106601 /12

R 030855Z MAY 77

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 3363

LIMITED OFFICIAL USE SECTION 1 OF 2 KINSHASA 4147

E.O. 11652: N/A

TAGS: BEXP, CG

SUBJECT: CCP - PRELIMINARY FY 1979 INPUTS

SECTION I - OVERVIEW

A) ZAIRE APPEARS TO BE SUCCESSFULLY WARDING OFF THE THREAT TO ITS TERRITORIAL INTEGRITY, AND WE CAN NOW PROCEED ON THE PREMISE THAT ZAIRE'S LARGE MINERAL RESOURCES WILL REMAIN ACCESSIBLE FOR EXPLOITATION TO THE BENEFIT OF THE CENTRAL GOVERNMENT AND THAT THE INCOME FROM THESE RESOURCES WILL PERMIT A SIGNIFICANT LEVEL OF ECONOMIC AND COMMERCIAL EXCHANGES BETWEEN ZAIRE AND THE US AS WELL AS OTHER WESTERN COUNTRIES. NEVERTHELESS, THE ECONOMY, ALREADY IN A WEAKENED POSITION BEFORE THE INVASION, WILL EXPERIENCE FURTHER STRAINS. DESPITE THE ASSISTANCE PRESENTLY PLANNED FROM INTERNATIONAL ORGANIZATIONS AND FRIENDLY COUNTRIES, ZAIRE'S ECONOMIC RECOVERY MAY BE DELAYED BEYOND FY 1979. HOWEVER, DESPITE THE PROBLEMS CAUSED BY THE SHABA INVASION, ZAIRE IS PROCEEDING WITH ITS PLANS TO RESTORE GROWTH TO THE ECONOMY. IT HAS JUST SIGNED A NEW STANDBY AGREEMENT WITH THE INTERNATIONAL MONETARY FUND, AND A CONSULTATIVE GROUP MEETING FOR ZAIRE UNDER THE AUSPICES OF THE WORLD BANK IS SCHEDULED FOR JUNE 1977.

B) SUBSTANTIAL AND SIGNIFICANT US INTERESTS REMAIN. AMERICAN FIRMS SURVIVED LARGELY UNSCATHED THE WAVES OF ZAIRIANIZATION AND
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PAGE 02 KINSHA 04147 01 OF 02 030951Z

RADICALIZATION; AND NOW THAT THERE IS A TREND TOWARD ECONOMIC LIBERALIZATION, THESE COMPANIES ARE IN A POSITION TO TAKE ADVANTAGE OF ANY UPSWINGS IN THE ECONOMY. EVEN THOSE COMPANIES AFFECTED BY THE NATIONALIZATION, I.E. THE PETROLEUM MARKETING COMPANIES, HAVE HAD THEIR BUSINESSES RESTORED; AND IN THE MEANTIME, AMERICAN EXPLORATION COMPANIES ARE SHOWING RENEWED INTEREST IN ZAIRE. THERE ARE ALSO INDICATIONS THAT US COMPANIES IN THE METALURGICAL

SECTOR ARE LOOKING TO INVESTMENT PROJECTS IN ZAIRE.

C) ONE BRIGHT SPOT IN THE CURRENT ECONOMIC OUTLOOK FOR ZAIRE IS THE PROSPECT OF RECORD EARNINGS FROM THE CURRENT YEAR'S COFFEE CROP WHICH WILL POSSIBLY RIVAL THOSE FROM COPPER--THE MAINSTAY OF THE ECONOMY. ALREADY THIS HAS REFOCUSSED SOME INTEREST ON THE LARGELY UNEXPLOITED POSSIBILITIES IN THE AGRICULTURAL SECTOR.

D) INASMUCH AS INTERNATIONALLY FINANCED AGRICULTURAL AND INFRASTRUCTURE PROJECTS SHOULD BEGIN TO SHOW SOME PROGRESS DURING FY 78, THE ADDED IMPETUS OF A COUPLE OF GOOD COFFEE YEARS BACK TO BACK WILL LIKELY STIMULATE MORE LOCAL INVESTMENT IN THESE AREAS THAN WHAT WOULD HAVE OTHERWISE BEEN THE BASE.

E) IN FORMULATING CAMPAIGNS FOR FY 79, THE CHOICES WERE NECESSARILY LIMITED BY THE BEARISH OUTLOOK FOR THAT PERIOD AND THE PRESENT UNCERTAINTY IN BUSINESS AND GOVERNMENT AS TO WHAT INVESTMENT POLICIES WILL BE POSSIBLE OR FEASIBLE AT THAT TIME. HENCE OUR CAMPAIGN SUGGESTIONS ARE LIMITED TO THOSE WE FEEL REASONABLY SURE WILL STILL BE VALID A YEAR FROM NOW. AS THIS UNUSUAL PERIOD PROGRESSES, FURTHER DEVELOPMENTS WILL PROVIDE A MORE ACCURATE PERSPECTIVE FOR THE YEAR TO COME.

SECTION II - PERSONNEL RESOURCE LIST

AMERICAN EMBASSY KINSHASA

-- FSO-3 E/C OFFICER COUNSELOR FOR ECONOMIC AND COMMERCIAL AFFAIRS
-- FSO-4 E/C OFFICER COMMERCIAL ATTACHE
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PAGE 03 KINSHA 04147 01 OF 02 030951Z

-- FSO-4 E/C OFFICER ASSISTANT COMMERCIAL ATTACHE
-- FSO-7 E/C OFFICER ASSISTANT COMMERCIAL ATTACHE
-- FSO-6 C/C OFFICER ECONOMIC/COMMERCIAL OFFICER
-- FSO E/C OFFICER ECONOMIC OFFICER
-- FSS-7 SECRETARY
-- FSS-9 SECRETARY
-- FSL-12 COMMERCIAL ASSISTANT (WTDR, TOPS, TRADE CONTACTS)
-- FSL-11 ECONOMIC/COMMERCIAL ASSISTANT (ECONOMIC RESEARCH, TRADE COMPLAINTS)
-- FSL-11 COMMERCIAL ASSISTANT (COMMERCIAL LIBRARY, COMMERCIAL NEWSLETTER, LOCAL CORRESPONDENCE, GOVT. AGENCY LIAISON)
-- FSL-7 CLERK/TYPIST- COMMERCIAL ASSISTANT (MARKET RESEARCH, ADS, TRADE LISTS, CORRESPONDENCE)

AMERICAN CONSULATE LUBUMBASHI

-- FSO-5 E/C OFFICER
-- FSL COMMERCIAL ASSISTANT
-- 2.0 CONTRIBUTORY PERSONNEL KINSHASA

AMBASSADOR - WALKTER L. CUTLER
DEPUTY CHIEF OF MISSION
PUBLIC AFFAIRS OFFICER
AGRICULTURAL ATTACHE
LUBUMBASHI - CONSUL

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PAGE 01 KINSHA 04147 02 OF 02 031024Z
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LIMITED OFFICIAL USE SECTION 2 OF 2 KINSHASA 4147

SECTION III - CAMPAIGN DEVELOPMENT

CAMPAIGN #1 EQUIPMENT FOR TRANSPORT SECTOR
PRIORITY #2

THE CURRENT WORLD COFFEE BOOM IS RESULTING IN AN UNANTICIPATED BONANZA FOR ZAIRE'S AGRICULTURAL SECTOR. WHILE PREVIOUS INVESTMENT PLANS IN AGRICULTURE AND TRANSPORT WERE GIVEN MORE THOUGHT THAN ACTION, IT IS NOW BECOMING INCREASINGLY CLEAR ON THE OPERATIONAL LEVEL HOW THE COUNTRY'S TRANSPORT SHORTCOMINGS ARE PLACING SERIOUS CONSTRAINTS ON THE EXPLOITATION OF ITS AGRICULTURAL AND FORESTRY RESOURCES. ALONG WITH THE PRESENT AND PLANNED INPUTS BY INTERNATIONAL AGENCIES, WE CAN ANTICIPATE INCREASED INVESTMENT BY GOVERNMENTAL AND PRIVATE INSTITUTIONS IN THE TRANSPORTATION NETWORKS OF THE COUNTRY.

CAMPAIGN #2
PRIORITY #3 - EQUIPMENT FOR FOOD PROCESSING INDUSTRY
ONE OF THE MAJOR CONSTRAINTS THAT HAVE PREVENTED ZAIRE FROM MAKING THE BEST USE OF ITS FOREIGN EXCHANGE EARNINGS HAS BEEN THE NECESSITY TO IMPORT LARGE AMOUNTS OF PROCESSED FOODS TO FEED ITS POPULATION. ZAIRE POSSESSES SUFFICIENT AGRICULTURAL POTENTIAL AND INDUSTRIAL BASE TO BECOME SELF-SUFFICIENT IN ITS PRODUCTION OF FOODSTUFFS AS WELL AS GENERATE AN EXPORTABLE SURPLUS. THE COUNTRY IS LARGE AND ITS MORE ATTRACTIVE FOOD PRODUCING AREAS ARE SITUATED SIZEABLE DISTANCES FROM THE PRINCIPAL AREAS OF

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PAGE 02 KINSHA 04147 02 OF 02 031024Z

CONSUMPTION AND POINTS OF EXPORT. ALONG WITH THE AFOREMENTIONED TRANSPORT CONSTRAINTS, IT WILL BECOME INCREASINGLY NECESSARY TO DEVOTE MORE INVESTMENT INTO FOOD PROCESSING EQUIPMENT AND TECHNOLOGY. MACHINERY AND TECHNOLOGY FOR PROCESSING AND UPGRADING ZAIRIAN COFFEE WOULD SEEM AN EXCEPTIONALLY ATTRACTIVE POSSIBILITY DURING THIS PERIOD.

CAMPAIGN #3 - PROMOTION OF IMPROVED INVESTMENT CLIMATE AND INCREASED US INVESTMENT IN ZAIRE

PRIORITY #4

THE ZAIRIAN GOVERNMENT NOW APPEARS FIRMLY COMMITTED TO THE PRINCIPLE OF A MIXED ECONOMY WHERE FOREIGN INVESTMENT WILL ENJOY A PROMINENT ROLE. NEVERTHELESS, THERE REMAINS MUCH TO BE DONE WITHIN THE GOVERNMENT BUREAUCRACY TO GET SUITABLE POLICIES INITIATED AND IMPLEMENTED. ON THE OTHER HAND, PROSPECTIVE INVESTORS HAVE BEEN UNDERSTANDABLY SKEPTICAL OF ANNOUNCED CHANGES IN GOVERNMENT POLICY FAVORABLE TO PRIVATE AND FOREIGN INVESTMENT. WE THEREFORE SEE A USEFUL ROLE FOR THE EMBASSY IN BRINGING THESE TWO PARTIES TOGETHER IN AN EVER CLOSER AND HOPEFULLY FRUITFUL COOPERATION.

ACTIVITY #1

PRIORITY #1 - PROTECTION AND FURTHERANCE OF AMERICAN ECONOMIC INTERESTS

ALTHOUGH WE FORESEE NO MORE DIRECT THREATS TO THE EXISTENCE OF AMERICAN INVESTMENTS IN ZAIRE, THERE WILL BE A NEED TO SEE THAT THEIR INTERESTS ARE SHIELDED FROM PERHAPS UNINTENTIONAL INJURY. ADDITIONALLY, OUR TASK WILL BE TO INSURE THAT THEY ARE NOT UNDULY HAMPERED BY UNREASONABLE COMPETITIVE RESTRAINTS.

ACTIVITY #2 - FOLLOW UP ON WOODWORKING AND FORESTRY

PRIORITY #5 - INDUSTRY EQUIPMENT

WHEN THE CURRENT COFFEE BOOM HAS RUN ITS COURSE, THE FORESTRY INDUSTRY WILL REMAIN ONE OF THE AREAS WHERE SIGNIFICANT INCOME WILL BE AVAILABLE WITHOUT WAITING FOR PREVIOUS INVESTMENT TO MATURE. THE CANADIANS, THROUGH THEIR STUDIES AND EFFORTS, HAVE A SIGNIFICANT LEAD IN THIS SECTOR. HOWEVER THE POTENTIAL AND

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PAGE 03 KINSHA 04147 02 OF 02 031024Z

SCOPE OF ZAIRE'S FORESTRY RESERVES ARE SUFFICIENT TO PERMIT SIGNIFICANTLY INCREASED PARTICIPATION BY AMERICAN FIRMS IN SUPPLYING THIS INDUSTRY'S NEEDS.

ACTIVITY #3 - UPDATING FILES ON ZAIRIAN BUSINESS COMMUNITY

PRIORITY #6

WITH MUCH OF THE ECONOMY BEING RESTORED TO THE PRIVATE ENTERPRISE SECTOR, WE FORESEE A CONTINUING NEED TO COMPLETELY UPDATE AND EXPAND OUR FILES -- AN ACTIVITY PRESENTLY COMMENCING. THIS WILL NECESSARILY BE A SOMEWHAT PAINSTAKING EFFORT. HOWEVER, IT SHOULD RESULT IN A WORTHWHILE PAYOFF WHEN ECONOMIC RECOVERY FINALLY ARRIVES.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977KINSHA04147
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770154-0620
Format: TEL
From: KINSHASA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197705100/aaaaditi.tel
Line Count: 231
Litigation Code IDs:
Litigation Codes:
Litigation History:
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Office: ACTION COME
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2319789
Secure: OPEN
Status: NATIVE
Subject: CCP - PRELIMINARY FY 1979 INPUTS SECTION I - OVERVIEW A) ZAIRE APPEARS TO BE SUCCESSFULLY WARDING OFF T
TAGS: BEXP, CG
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/ecc45087-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009